

Message Text

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PAGE 01 STATE 090072

20

ORIGIN EB-07

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INFO USMISSION GENEVA

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E.O. 11652: N/A

TAGS: ETRD, ES

SUBJECT: TEXTILES - U.S./GOES BILATERAL AGREEMENT

REF: SAN SALVADOR 1395

GENEVA FOR PHELAN

1. WE SUGGEST YOU RESPOND TO FOMIN BORGONOVO'S INQUIRY
ON HOW ADJUSTMENT ASSISTANCE PROVISIONS OF THE TRADE
ACT MIGHT PROVIDE AN EFFECTIVE SOLUTION FOR PROBLEMS
CAUSED FOR U.S. WORKERS BY 807 DRAWBACK ACTIVITIES ALONG
FOLLOWING LINES:

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PAGE 02 STATE 090072

(A) TRADE ACT ADJUSTMENT ASSISTANCE IS INTENDED TO

PROVIDE EMERGENCY RELIEF FOR SPECIALIZED PROBLEMS AT THE LOCAL LEVEL. IT APPLIES ONLY TO SPECIFICALLY AFFECTED INDIVIDUAL PLANT AND GROUPS OF WORKERS AND CANNOT PROVIDE GENERALIZED ASSISTANCE TO ALL OR EVEN LARGE PORTION OF U.S. TEXTILE INDUSTRY WORKERS.

(B) ADJUSTMENT ASSISTANCE WAS NOT INCLUDED IN THE TRADE ACT TO PROVIDE A MECHANISM WHICH WOULD SERVE AS A SUBSTITUTE FOR THE FRAMEWORK OF BILATERAL AGREEMENTS UNDER THE MFA OR TO PERMIT THE USG TO NEGOTIATE AGREEMENTS WHICH WOULD PERMIT LARGE INCREASES IN THE KINDS OF IMPORTS WHICH DISPLACE U.S. WORKERS.

(C) ADJUSTMENT ASSISTANCE AS PROVIDED BY THE TRADE ACT CAN ONLY OPERATE IN RELATION TO OVERALL IMPORT LEVELS IN ANY SECTOR AND CANNOT BE LINKED TO IMPORTS FROM ANY PARTICULAR COUNTRY OR ANY PARTICULAR ITEM OR ITEMS.

(D) ADJUSTMENT ASSISTANCE WHEN GRANTED IN ANY SECTOR ULTIMATELY LEADS TO PRESSURES FOR MORE RESTRAINTS ON IMPORTS IN THAT SECTOR NOT LESS.

2. WITH REGARD TO GOES DELAYS IN EXCHANGING NOTES, WE SUGGEST YOU POINT OUT TO THE GOES THAT A REASONABLE TIME HAS PASSED SINCE MEMO OF UNDERSTANDING WAS INITIALED ON JANUARY 25 AND WE WOULD LIKE TO KNOW WHAT GOES

INTENTIONS ARE AS TO COMPLETING AGREEMENT. YOU MAY WISH TO POINT OUT THAT THE UNEMPLOYMENT SITUATION IN THE U.S. TEXTILE INDUSTRY IS GROWING WORSE EACH MONTH ESPECIALLY IN APPAREL SECTOR, WHICH INCLUDES ALL 807 IMPORTS. FOR EXAMPLE, MARCH UNEMPLOYMENT FIGURES SHOW A RECORD 20.1 PERCENT UNEMPLOYED AMONG APPAREL SECTOR WORKERS AND 18.5 PERCENT UNEMPLOYED IN THE TEXTILE AND APPAREL INDUSTRIES COMBINED. THIS FIGURE IS MORE THAN DOUBLE THE NATIONAL UNEMPLOYMENT FIGURE OF 8.7 PERCENT. CONSEQUENTLY, WE EXPECT NEW INTENSE PRESSURES FROM U.S. LABOR TO TAKE UNILATERAL ACTION AGAINST COUNTRIES WITH WHOM WE DO NOT HAVE TEXTILE AGREEMENTS, WHICH WOULD INCLUDE GOES, IF AGREEMENT IS NOT FINALIZED. WE THERE-
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PAGE 03 STATE 090072

FORE BELIEVE IT IS IN THE INTEREST OF BOTH THE USG AND THE GOES TO COMPLETE THE INITIALED AGREEMENT AS SOON AS POSSIBLE.

3. WE ARE AWARE OF THE HEAVY PRESSURES ON THE GOES FROM INDUSTRY AND ALSO FROM U.S. AND OTHER FOREIGN FIRMS OPERATING IN EL SALVADOR AS WELL AS FROM THIRD COUNTRIES. INSOFAR AS PRESSURES FROM U.S. OWNED 807

DRAWBACK FIRMS OPERATING IN EL SALVADOR ARE CONCERNED
YOU MAY WISH TO POINT OUT THAT VIEWS OF U.S. 807 DRAW-
BACK INDUSTRIES WERE WELL KNOWN TO THE U.S. DELEGATION
AT THE TIME OF NEGOTIATIONS. FYI AS FAR AS PRESSURE
FROM OTHER LATIN AMERICAN COUNTRIES IS CONCERNED WE ARE
OPTIMISTIC THAT MEXICAN-U.S. AGREEMENT WILL SOON BE
FINALIZED. WE ARE HOPEFUL THAT FINAL AGREEMENT WITH

MEXICO AS THE LARGEST SUPPLIER OF LATIN AMERICAN TO THE
U.S. MARKET, AND A COUNTRY HAVING MANY 807 FIRMS, WILL IN-
FLUENCE GOES ON THE ADVISABILITY OF FINALIZING US/EL
SALVADOR AGREEMENT. END FYI. KISSINGER

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